

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. _____
v.	:	DATE FILED: _____
MIKHAIL GOKHMAN, a/k/a “Mike,”	:	VIOLATIONS:
EDVARD KHAKHAN, a/k/a “Ed,”	:	18 U.S.C. § 371 (conspiracy to commit
YAN HERSHMAN	:	securities fraud, wire fraud, odometer
	:	tampering, and false odometer statements
	:	- 1 count)
	:	18 U.S.C. § 513 (securities fraud - 12
	:	counts)
	:	18 U.S.C. § 1343 (wire fraud - 9 counts)
	:	49 U.S.C. §§ 32705(a), 32709(b) (false
	:	odometer statements - 14 counts)
	:	42 U.S.C. § 408(a)(7)(A) (use of Social
	:	Security number based on false
	:	information - 4 counts)
	:	18 U.S.C. § 2 (aiding and abetting)

INDICTMENT

COUNT ONE

THE GRAND JURY CHARGES THAT:

At times relevant and material to this indictment:

1. Defendant MIKHAIL GOKHMAN, a/k/a “Mike,” (hereafter MIKHAIL GOKHMAN or GOKHMAN) was an unlicensed used car wholesaler who conducted business under various names, including Bereg, Inc., OV World Trading Corp., Clarindon Auto Center, Papelats, Inc., and 5 Star Auto, Inc.

2. Defendant EDVARD KHAKHAN, a/k/a “Ed,” (hereafter EDVARD KHAKHAN or KHAKHAN) was an unlicensed used car wholesaler who conducted business under various names, including Bereg, Inc., OV World Trading Corp., Clarindon Auto Center,

Papelats, Inc., 5 Star Auto, Inc., A+ Auto Sales, Century Quality Used Vehicles, Riverton Motors, and Y&O Auto Sale, Inc.

3. Defendant YAN HERSHMAN (hereafter YAN HERSHMAN or HERSHMAN) was a licensed used car wholesaler who conducted business under various names, including Papelats, Inc., 5 Star Auto, Inc., Riverton Motors, Sunfire Auto Wholesale, Y&O Auto Sale, Inc., Zencar Motors, kfargvirol, and probemotors.

4. As used in this indictment, the following vehicle numbers refer to the vehicles identified below:

Vehicle No.	Year/Make	Vehicle Identification Number
1	1999 Chevrolet Astro Van	1GCDM19W9XB115245
2	2000 Toyota Tacoma	4TAVL52N8YZ576733
3	2000 Dodge Durango	1B4HS28N9YF271394
4	2000 Cadillac Escalade	1GYEK13R8YR123451
5	2001 GMC Yukon	1GKEK13T51J139777
6	2002 Ford E-350	1FBSS31S72HA28732
7	2001 Chevrolet Tahoe	1GNEK13T91J304510
8	2000 Ford Windstar	2FMZA5048YBC80888
9	2002 Chevrolet Silverado	1GCEK19TX2E136693
10	2002 Chevrolet Silverado	2GCEC19V421177367
11	2002 Ford Explorer	1FMZU72E32UB65822
12	2001 Ford Escape	1FMCU041X1KE56853

13	2001 Ford Taurus	1FAFP53UX1A250882
14	2002 Ford F-150	2FTRX18L42CA28225
15	2002 Ford Escape	1FMYU01172KC20950
16	2001 Ford E-350	1FTSE34L61HB27886

THE CONSPIRACY

5. Beginning at a time unknown to the grand jury, but at least as early as October 2002, and continuing through at least November 2005, the exact dates being unknown to the grand jury, in the Eastern District of Pennsylvania and elsewhere, defendants

MIKHAIL GOKHMAN,
a/k/a “Mike,”
EDVARD KHAKHAN,
a/k/a “Ed,” and
YAN HERSHMAN

conspired and agreed with each other, and other persons known and unknown to the grand jury, to commit offenses against the United States, that is:

(a) to knowingly and willfully reset and alter, and cause to be reset and altered, the odometers of used motor vehicles, with the intent to change the number of miles indicated and registered on those odometers, in violation of Title 49, United States Code, Sections 32703(2) and 32709(b);

(b) to knowingly and willfully give and cause to be given, in making the written disclosures to the buyers of used motor vehicles required by Title 49, United States Code, Section 32705(a), and Title 49, Code of Federal Regulations, Part 580, false statements relating

to the actual mileage of the vehicles, in violation of Title 49, United States Code, Sections 32705(a) and 32709(b);

(c) to knowingly transmit and cause to be transmitted by means of wire communication in interstate commerce writings, signs, signals, and sounds, for the purpose of executing a scheme and artifice to defraud, and to obtain money by means of false or fraudulent pretenses and representations, in violation of Title 18, United States Code, Section 1343; and

(d) to knowingly make, utter, and possess counterfeit and forged securities of a State, with intent to deceive another person, organization, and government, in violation of Title 18, United States Code, Section 513.

PURPOSE OF THE CONSPIRACY

6. It was the purpose of the conspiracy to cause both the immediate and subsequent buyers of used motor vehicles, including ultimate consumers, to pay more for the vehicles than they would have paid if they had known the vehicles' actual mileage.

MANNER AND MEANS BY WHICH THE CONSPIRACY AND THE SCHEME TO DEFRAUD OPERATED

It was a part of the conspiracy that:

7. Defendants GOKHMAN, KHAKHAN, and HERSHMAN purchased used vehicles (mostly late-model, high-mileage vehicles) in the names of Bereg, Inc., OV World Trading Corp., Clarindon Auto Center, and other dealership names, both real and fictitious, from leasing companies and from automobile dealers in Ohio, Maryland, and elsewhere.

8. As part of purchasing high-mileage vehicles, defendants GOKHMAN, KHAKHAN, and HERSHMAN, and other co-conspirators caused wire transfers of money to be sent from the Eastern District of Pennsylvania to Ohio and Maryland.

9. After purchasing those vehicles, defendants GOKHMAN, KHAKHAN, HERSHMAN, and other co-conspirators rolled back and caused to be rolled back the vehicles' odometers to lower mileage figures (vehicles with such altered odometers are called "rolled-back vehicles" below).

10. Defendants GOKHMAN, KHAKHAN, and HERSHMAN, and their co-conspirators altered and caused to be altered automobile titles and other motor vehicle title and ownership documents in order to conceal the vehicles' actual high mileages.

11. Using altered vehicle title and ownership documents, defendants GOKHMAN and KHAKHAN, and their co-conspirators obtained in the names of various licensed Pennsylvania dealers, automobile titles for the rolled-back vehicles which showed false low mileages for the vehicles.

12. To obtain these false low mileage titles, on numerous occasions, defendants GOKHMAN and KHAKHAN paid an employee of the Pennsylvania Department of Transportation to process altered titles and produce counterfeit Pennsylvania titles in numerous dealer names that contained false mileage readings.

13. On numerous occasions, defendants GOKHMAN, KHAKHAN, and HERSHMAN, and their co-conspirators caused the false low-mileage Pennsylvania titles to be

mailed or transported from Pennsylvania to the Commonwealth of Virginia, where Virginia titles were obtained for the rolled-back vehicles which also showed false low mileages for the vehicles.

14. Using these false low-mileage titles, defendants GOKHMAN, KHAKHAN, and HERSHMAN, and their co-conspirators provided subsequent purchasers of the rolled-back vehicles paperwork that concealed the fact that the vehicles' odometers had been altered.

15. Using many different dealer names, defendants GOKHMAN, KHAKHAN, and HERSHMAN, and their co-conspirators sold and caused to be sold the rolled-back vehicles at wholesale auto auctions, directly to automobile dealers, and via the Internet on an auction website, and provided to the buyers false low-mileage Pennsylvania and Virginia titles. Often the defendants would pay others to represent the vehicles at auctions, and to sell vehicles directly to automobile dealers in Pennsylvania and New Jersey.

16. When vehicles were returned to defendants GOKHMAN, KHAKHAN, and HERSHMAN, and their co-conspirators because the false low-mileage was discovered by buyers or a wholesale auto auction, the defendants and their co-conspirators resold and caused to be resold the vehicles again at a false low-mileage, often on an Internet auction website or at another wholesale auto auction, and again transferred to buyers certificates of title and other documents that contained false mileage statements.

17. The actions and misrepresentations of defendants GOKHMAN, KHAKHAN, HERSHMAN, and their co-conspirators resulted in the defendants obtaining higher prices for the vehicles sold than they would have received if the vehicles had correct mileage

readings, and that buyers of the vehicles, including ultimate consumers, paid more for the automobiles than they would have paid if they had known the vehicles' true mileage.

OVERT ACTS

In furtherance of the conspiracy, defendants GOKHMAN, KHAKHAN, HERSHMAN, and others known and unknown to the grand jury, committed the following overt acts, in the Eastern District of Pennsylvania and elsewhere:

1. Between on or about October 4, 2002, and on or about July 25, 2003, using the name Curlew Drive Auto Wholesalers, defendants MIKHAIL GOKHMAN and YAN HERSHMAN, and an unindicted co-conspirator caused to be sold at a wholesale automobile auction in Manheim, Pennsylvania, approximately 288 used motor vehicles with rolled-back odometers.

2. Between on or about November 4, 2002, and on or about June 24, 2004, using the names Clarindon Auto Center, Bereg, Inc., and OV World Trading, Inc., defendants MIKHAIL GOKHMAN, EDVARD KHAKHAN, and YAN HERSHMAN purchased approximately 627 high-mileage vehicles from a lease company in Ohio.

3. On or about November 26, 2002, defendants MIKHAIL GOKHMAN and EDVARD KHAKHAN, doing business as Bereg, Inc., purchased Vehicle No. 1 for \$5,600 from a lease company in Ohio, knowing that the vehicle had 86,487 miles.

4. On or about December 12, 2002, defendants MIKHAIL GOKHMAN and EDVARD KHAKHAN obtained from the Pennsylvania Department of Transportation a

counterfeit Pennsylvania title for Vehicle No. 1, which falsely represented that Vehicle No. 1 had 36,481 miles.

5. On or about January 3, 2003, defendant MIKHAIL GOKHMAN caused Vehicle No. 1 to be sold for \$8,600 at a wholesale automobile auction in Manheim, Pennsylvania, with a false representation that the vehicle had 36,593 miles, when in fact the vehicle had at least 86,487 miles.

6. On or about March 10, 2003, defendant MIKHAIL GOKHMAN, doing business as OV World Trading, Inc., purchased Vehicle No. 4 for \$20,000 from an automobile wholesaler in Maryland, knowing that the vehicle had 73,052 miles.

7. On or about March 14, 2003, defendants MIKHAIL GOKHMAN and EDVARD KHAKHAN obtained from the Pennsylvania Department of Transportation a counterfeit Pennsylvania title for Vehicle No. 4, which falsely represented that Vehicle No. 4 had 29,909 miles.

8. On or about March 14, 2003, defendant MIKHAIL GOKHMAN caused Vehicle No. 4 to be sold for \$24,300 at a wholesale automobile auction in Manheim, Pennsylvania, with a false representation that the vehicle had 30,269 miles, when in fact the vehicle had at least 73,052 miles.

9. On or about April 1, 2003, an unindicted co-conspirator, doing business as RAP Enterprises, Inc., caused Vehicle No. 3 to be sold to an automobile dealer in New Jersey, knowing that the mileage was falsely represented to the dealer.

10. On or about April 3, 2003, defendant YAN HERSHMAN rented a United States Post Office box in Hatboro, Pennsylvania, using the business name 5 Star Auto, Inc.

11. On or about April 4, 2003, defendants YAN HERSHMAN and MIKHAIL GOKHMAN opened a bank account in Hatboro, Pennsylvania, in the name 5 Star Auto, Inc., and provided as its address the United States Post Office box in Hatboro, Pennsylvania, rented on April 3, 2003.

12. On or about June 12, 2003, defendants MIKHAIL GOKHMAN and EDVARD KHAKHAN, doing business as Bereg, Inc., purchased Vehicle No. 6 for \$9,900 from a lease company in Ohio, knowing that the vehicle had 120,160 miles.

13. On or about June 18, 2003, defendants YAN HERSHMAN and MIKHAIL GOKHMAN opened a bank account in Hatboro, Pennsylvania, in the name Papelats, Inc., and provided as its address the United States Post Office box in Hatboro, Pennsylvania, rented on April 3, 2003.

14. On or about August 6, 2003, defendants MIKHAIL GOKHMAN and EDVARD KHAKHAN obtained from the Pennsylvania Department of Transportation a counterfeit Pennsylvania title for Vehicle No. 6, which falsely represented that Vehicle No. 6 had 20,981 miles.

15. On or about August 8, 2003, defendant MIKHAIL GOKHMAN caused Vehicle No. 6 to be sold for \$16,100 at a wholesale automobile auction in Manheim, Pennsylvania, with a false representation that the vehicle had 21,845 miles, when in truth and in fact the vehicle had at least 120,160 miles.

16. On or about September 10, 2003, defendant MIKHAIL GOKHMAN obtained a \$65,403 cashier's check with funds from the 5 Star Auto, Inc., bank account to repay a wholesale automobile auction in Manheim, Pennsylvania, for vehicles that the co-conspirators bought back from the auction because the auction learned the odometers had been rolled-back.

17. On or about September 11, 2003, defendant YAN HERSHMAN submitted to the New Jersey Division of Motor Vehicles an application for a used motor vehicle dealer license in the name of Papelats, Inc., which caused the State of New Jersey to issue a used motor vehicle dealer license to Papelats, Inc., on or about November 3, 2003.

18. On or about October 27, 2003, using an Internet auction website, defendant YAN HERSHMAN resold Vehicle No. 6 to a consumer in California, and falsely represented that Vehicle No. 6 had 21,970 miles.

19. On or about December 19, 2003, defendant YAN HERSHMAN obtained a \$64,010 cashier's check with funds from the 5 Star Auto, Inc., bank account to repay a wholesale automobile auction in Manheim, Pennsylvania, for vehicles that the co-conspirators bought back from the auction because the auction learned the odometers had been rolled back.

20. On or about December 31, 2003, defendants MIKHAIL GOKHMAN and EDVARD KHAKHAN, doing business as OV World Trading, Inc., purchased Vehicle No. 12 for \$10,250 from a lease company in Ohio, knowing that the vehicle had 81,707 miles.

21. On or about January 8, 2004, an unindicted co-conspirator, using an Internet auction website, resold Vehicle No. 1 to a consumer in Colorado, and falsely represented that Vehicle No. 1 had 58,397 miles, knowing that the vehicle had at least 86,487 miles.

22. Between on or about January 9, 2004, and on or about July 29, 2004, defendants YAN HERSHMAN and EDVARD KHAKHAN, and an unindicted co-conspirator, using the name Y&O Auto Sale, Inc., caused to be sold at a wholesale automobile auction in Manheim, Pennsylvania, approximately 86 used motor vehicles with rolled back odometers.

23. On or about January 9, 2004, defendant YAN HERSHMAN deposited into the Papelats, Inc., bank account auction checks totaling \$39,540, payable to Y&O Auto Sale, Inc., and Riverton Motors from the sale of vehicles with rolled-back odometers.

24. On or about February 11, 2004, defendant EDVARD KHAKHAN cashed the check from a wholesale automobile auction in Manheim, Pennsylvania, from the sale of Vehicle No. 12, which was sold at the auction with false low mileage of 19,007 miles.

25. On or about March 9, 2004, defendants MIKHAIL GOKHMAN and EDVARD KHAKHAN paid an employee of the Pennsylvania Department of Transportation to obtain 15 fraudulent Pennsylvania vehicle titles.

26. On or about August 17, 2004, defendant YAN HERSHMAN purchased Vehicle No. 16 from a lease company in Ohio, knowing that the vehicle had 102,763 miles.

27. On or about September 10, 2004, defendant YAN HERSHMAN sold Vehicle No. 16 at a wholesale automobile auction in Manheim, Pennsylvania, falsely representing that the vehicle had 35,441 miles.

28. On or about July 16, 2005, using an Internet auction website, defendant YAN HERSHMAN resold Vehicle No. 4 to a consumer in Tennessee, and falsely represented that Vehicle No. 4 had 33,017 miles.

29. On or about November 2, 2005, defendant YAN HERSHMAN gave an unindicted co-conspirator a \$22,000 bank check payable to Absolute Auto Body Repair, derived from money from a Papelats, Inc., bank account, which the unindicted co-conspirator cashed at a check-cashing facility in Philadelphia, Pennsylvania.

All in violation of Title 18, United States Code, Section 371.

COUNTS TWO THROUGH THIRTEEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 4 of Count One are incorporated here.
2. On or about the dates listed below, in the Eastern District of Pennsylvania,

and elsewhere defendants

**MIKHAIL GOKHMAN,
a/k/a "Mike,"
EDVARD KHAKHAN,
a/k/a "Ed," and
YAN HERSHMAN**

knowingly made, uttered, and possessed, and aided and abetted and willfully caused, the making, uttering, and possession of, forged and counterfeited securities of the Commonwealth of Pennsylvania, that is, automobile titles, with the intent to deceive other persons, organizations, and governments, specifically, defendants GOKHMAN, KHAKHAN, and HERSHMAN, obtained from the Commonwealth of Pennsylvania new automobile titles and used those fraudulent titles to deceive wholesale automobile auctions, automobile dealerships, and individuals regarding the vehicles' true mileages, as set forth in each count below:

<u>COUNT</u>	<u>DATE</u>	<u>VEHICLE NO.</u>
2	March 5, 2003	2
3	March 20, 2003	3
4	March 14, 2003	4
5	May 5, 2003	5
6	August 6, 2003	6

7	June 27, 2003	7
8	July 29, 2003	8
9	November 20, 2003	9
10	January 14, 2004	10
11	January 14, 2004	11
12	February 4, 2004	12
13	March 9, 2004	13

All in violation of Title 18, United States Code, Section 513(a), (c), and Title 18,
United States Code, Section 2.

COUNTS FOURTEEN THROUGH TWENTY-TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 4 and 7 through 17 of Count One are incorporated here.

2. Beginning in or about October 2002, and continuing through at least November 2005, the exact dates being unknown to the grand jury, in the Eastern District of Pennsylvania and elsewhere, defendants

**MIKHAIL GOKHMAN,
a/k/a "Mike,"
EDVARD KHAKHAN,
a/k/a "Ed," and
YAN HERSHMAN**

devised and intended to devise a scheme described above, to defraud buyers of used motor vehicles and to obtain money by means of false or fraudulent pretenses and representations, as described in paragraphs 7 through 17 of Count One.

3. On or about each of the dates set forth below, in the Eastern District of Pennsylvania, defendants

**MIKHAIL GOKHMAN,
a/k/a "Mike,"
EDVARD KHAKHAN,
a/k/a "Ed," and
YAN HERSHMAN,**

for the purpose of executing the scheme, and attempt to do so, and aiding and abetting its execution, caused to be transmitted by means of wire communications in interstate commerce,

from the Eastern District of Pennsylvania, the signals and sounds described below for each count, each transmission constituting a separate count:

COUNT	DATE	DESCRIPTION
14	January 9, 2003	\$70,150 wire transfer to Ohio lease company
15	April 25, 2003	\$20,000 wire transfer to a Maryland wholesaler
16	June 9, 2003	\$100,750 wire transfer to Ohio lease company
17	July 24, 2003	\$74,800 wire transfer to Ohio lease company
18	September 16, 2003	\$60,100 wire transfer to Ohio lease company
19	November 13, 2003	\$87,900 wire transfer to Ohio lease company
20	April 27, 2004	\$30,000 wire transfer to Ohio lease company
21	June 8, 2004	\$18,300 wire transfer to Maryland automobile wholesaler
22	June 18, 2004	\$16,000 wire transfer to Maryland automobile wholesaler

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNTS TWENTY-THREE THROUGH THIRTY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 4 of Count One are incorporated here.
2. On or about the dates listed below, in the Eastern District of Pennsylvania,

defendants

**MIKHAIL GOKHMAN,
a/k/a “Mike,”
EDVARD KHAKHAN,
a/k/a “Ed,” and
YAN HERSHMAN**

knowingly and willfully gave and caused to be given, in making the written disclosures to the buyers of used motor vehicles required by Title 49, United States Code, Section 32705(a), and Title 49, Code of Federal Regulations, Part 580, false statements relating to the cumulative mileage registered on the odometers of the motor vehicles listed below, in that defendants GOKHMAN, KHAKHAN, and HERSHMAN certified as accurate the false mileage listed below, when in fact the odometers of the vehicles had registered the high mileage listed below when the defendants acquired the vehicles, each such instance constituting a separate count:

<u>COUNT</u>	<u>DATE</u>	<u>VEHICLE NO.</u>	<u>HIGH MILEAGE</u>	<u>FALSE MILEAGE</u>
23	January 3, 2003	1	86,487	36,593
24	February 21, 2003	2	84,031	39,313
25	March 14, 2003	4	73,052	30,269
26	May 2, 2003	5	92,817	24,345
27	August 8, 2003	6	120,160	21,845

28	July 3, 2003	7	99,966	20,665
29	August 1, 2003	8	88,096	31,142
30	November 21, 2003	9	100,150	17,270
31	February 6, 2004	10	95,332	22,557
32	February 6, 2004	11	112,923	18,360
33	February 6, 2004	12	81,707	19,007
34	March 19, 2004	13	135,912	33,017
35	March 12, 2004	14	93,195	24,156
36	March 12, 2004	15	100,872	26,172

All in violation of Title 49, United States Code, Sections 32705(a) and 32709(b),
and Title 18, United States Code, Section 2.

COUNTS THIRTY-SEVEN THROUGH FORTY

THE GRAND JURY FURTHER CHARGES THAT:

On or about the dates listed below, in the Eastern District of Pennsylvania,
defendant

YAN HERSHMAN,

willfully, knowingly, and with the intent to deceive, used a Social Security number, specifically a number ending in 4262, assigned by the Commissioner of Social Security on the basis of false information furnished to the Commissioner of Social Security by defendant HERSHMAN, that is, a false and fraudulent Israeli passport and visa, for the purpose of opening bank accounts, the opening of each account constituting a separate count:

<u>COUNT</u>	<u>DATE</u>	<u>DESCRIPTION</u>
37	April 4, 2003	Opened a bank account in the name of 5 Star Auto, Inc.
38	June 18, 2003	Opened a bank account in the name of Papelats, Inc.
39	July 19, 2004	Opened a bank account in the name of Papelats, Inc.
40	May 3, 2005	Opened a bank account in the name of Papelats, Inc.

All in violation of Title 42, United States Code, Section 408(a)(7)(A).

A TRUE BILL:

GRAND JURY FOREPERSON

PATRICK L. MEEHAN
United States Attorney